



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

BANKING 3

BNK 33B3

LAST ASSESSMENT OPPORTUNITY

DECEMBER 2016

Time: 180 Minutes

Marks: 100

Assessor: Mr John Mabejane

External Moderator: Mrs Alta Rossouw

INSTRUCTIONS:

This paper consists of 3 pages (including the cover page).

- Answer all questions.
- Start each question on a new page.

Question	Topic	Marks	Time
1	Introduction to risk Management	20	20 Minutes
2	Binomial and Poisson distribution	20	30 Minutes
3	Liquidity risk management	30	55 minutes
4	Operational risk Management	30	55 minutes
		100	180

Section 1

20 Marks

Answer True or False

- 1.1 Inherent risk not part of the core of the business
- 1.2 Incidental risk are part of the core of the business
- 1.3 Objective probability - all possible outcomes are uncertain and not known
- 1.4 Empirical probability – we use gut feeling and emotions to determine possibility
- 1.5 Subjective probability – based on estimation after experimentation
- 1.6 Systematic risk a risk that one entity in the system may collapse leading to a collapse of the entire system.
- 1.7 Particular risk is a risk that emanates from the internal environment of a business and can be diversified.
- 1.8 Systemic risk is a risk that attacks the internal technological systems of a business.
- 1.9 A peril is an environment surrounding a source of risk.
- 1.10 A hazard is a source of risk.

Section 3

20 Marks

A bank has 14 ATMs in a city. The probability that an ATM will run out of funds on any given weekend is 75%.

Using both Poisson and Binomial Distribution calculate the probability that: (2 marks each)

- 3.1 All the ATMs will run out of funds
- 3.2 None of the ATMs will run out of funds
- 3.3 Five ATMs will run out of funds
- 3.4 Three of the 8 ATMs will run out of funds
- 3.5 Seven of the 8 ATMs will run out of funds

Section 4

60 Marks

Essay questions – strictly follow an essay structure

- 4.1 Discuss liquidity risk following parameters below: (30 Marks)
 - What is liquidity risk
 - Different types of liquidity risk

- Factors affecting liquidity risk
- Tackling liquidity risk
- The functions of ALCO
- The two fundamental problems the banks face in managing liabilities.
- Four objectives for holding liquid assets

4.2 Write an essay about Operational risk in respect of the following parameters

(30 Marks)

- What is operational risk
- ORM process cycle
- TCRM
- ABCD Model
- Criteria for Establishing Effective Controls
- Control options
- Types of controls
- And outline any six deadly sins of operational risk management